

Case Study

Client: Public University

Service: Contract Negotiation Service (Office Products)

Result: \$215,000 of annual savings on future office supply purchases.

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The Client

A large public university with a student population of over 39,000 on 9 Pennsylvania campuses. The university employs over 12,500 people and spends approximately \$3 million each year on office supplies. The client's management of procurement is centralized and it employs an enterprise financial system that tracks all purchases from budget to payment.

The Business Situation

The client's office supply agreement with a national vendor contained a pricing structure that included fixed prices for core items, but no pricing terms for non-core items. Accordingly, its purchasing system contained price updates to core items only.

Without pricing terms for non-core items, the prices for these items could not be audited and the vendor could charge the client any price it wished to charge.

Although 65% of the client's office supply spend was for non-core items, the client was lucky that the vendor did not take advantage of the situation. Chartwell's review indicated that the client was getting fair pricing, but improvements on non-core pricing were available.

Management was highly concerned about this situation and engaged Chartwell to resolve the issues with the current vendor.

The Analysis and Negotiation

- At Chartwell's request, the client provided us with documentation of all current written pricing agreements with the office supply vendor.

- The vendor provided us with a data file of historical purchase information.
- With our proprietary analysis software, our consultants analyzed the purchasing data, benchmarked the prices charged to our knowledge base, and developed the best pricing structure for the client.
- Chartwell used its price modeling analysis to determine that there were potential annual savings of \$150,000 to \$250,000. This analysis was discussed with the client.
- The client directed Chartwell to discuss its findings with the current vendor.
- The client directed Chartwell to negotiate non-core item pricing for an amendment to its current pricing agreement.
- A pricing agreement was reached on purchases of non-core items with the current office supply vendor and the vendor, client and Chartwell worked together on implementing the changes to the pricing structure of the agreement.

The Results and Benefits

As a result of our efforts, the client estimates its annual savings on purchases of office supplies under the amended agreement will be approximately \$215,000 per year over the next 5 years. Additionally, an amendment was executed which significantly reduced the potential for price discrepancies and insured that the prices charged were easily auditable.